



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Attn: Mandatory Review, MC 4920 DAL
1100 Commerce St.
Dallas, TX 75242

501.04-00

Date: June 9, 2010

Release Number: 201037034

Release Date: 9/17/10

LEGEND

ORG = Organization name

XX=Date Address = address

ORG

ADDRESS

Employer Identification Number:

Person to Contact/ID Number:

Contact Numbers:

Voice:

Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear

This is a final adverse determination letter with regard to your status under section 501(c)(4) of the Internal Revenue Code.

You were established in June 19XX as a subordinate under group exemption number 1710. The parent organization was granted tax exempt status as an organization described in section 501(c)(4) of the Code in January 19XX.

Based on recent information received, we have determined you have not operated in accordance with the provisions of section 501(c)(4) of the Code. You ceased operations at the end of 20XX. Currently, you have no financial resources and no assets. You also failed to meet the reporting requirements under IRC §§ 6001 and 6033 necessary for continued exemption from federal income tax under IRC § 501(c)(4).

Accordingly, your exemption from Federal income tax is revoked effective December 31, 20XX.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginning after December 31, 20XX.

You have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at: (405) 297-4055 (not toll-free).

If you have any questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

Nanette M. Downing
Director, EO Examinations



DEPARTMENT OF THE TREASURY
Internal Revenue Service

January 28, 2010

ORG
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

For Nanette M. Downing
Acting Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Form 6018
Report of Examination
Envelope

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS		Schedule number or exhibit
Name of taxpayer ORG	Tax Identification Number	Year/Period ended December 31, 20XX	

LEGEND

ORG = Organization name XX = Date Officer = officer Manager =
manager RA = RA

Issue:

Whether ORG qualifies for exemption under Section 501(c)(4) of the Internal Revenue Code.

Facts:

The Internal Revenue Service has made reasonable requests to ORG to file Form 990 for the tax period ending December 31, 20XX.

The following requests were made:

1. Cover Letter 3606, Form 4564, Information Document Request, (IDR), and Publication 1 were sent to the organization on June 18, 20XX.
2. Agent called EO Officer at (405) 412-5019 several occasions to discuss the case and requested delinquent Return for 20XX12, but demands for filing were not met.
3. A 90 day notice and demand letter and IDR were sent by certified mail to the organization on September 22, 20XX. The certified receipt was returned signed on 09/28/20XX by Officer.
4. A letter was sent to EO Manager on October 16, 20XX requesting delinquent Returns forms 941 and 990 but not respond was receipted.

ORG, has failed to respond to IRS correspondences and phone calls, and failed to file the Form 990 for the tax period ending December 31, 20XX. The organization reported wages paid in 20XX of \$ and failed to file Forms 941. Substitute-for>Returns were established by RA and Letter 3596 and form 2504 (Agreement to Assessment and Collection of Additional Tax) was mailed to EO for consent but the form was not return. The organization was required to file a 990 return as well for the year ending December 31, 20XX, but failed to respond to multiple correspondence sent and phone calls.

Background:

ORG, was established in June 19XX as part of a group ruling, group exemption number: 1710. The organization was granted tax exempt status as a 501(c)(4) non-profit organization in January, 19XX. According to the executive director, Officer, the organization no longer exists and does not conduct exempt activities. EO ceased

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS		Schedule number or exhibit
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operations at the end of 20XX. Currently, the organization has no financial resources and no assets. A letter was received from Quartermaster of the national office, RA, confirming ORG ceased of operations in 20XX.

Nonetheless, ORG, did not follow proper procedures for termination of its exempt status, Articles of dissolution were not filed, nor a final Return was submitted when requested.

Failure to File Form 990s:

IRC § 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

IRC § 6033(a)(1) provides, except as provided in IRC § 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Treas. Reg. § 1.6001-1(a) in conjunction with Treas. Reg. § 1.6001-1(c) provides that every organization exempt from tax under IRC § 501(a) and subject to the tax imposed by IRC § 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by IRC § 6033.

Treas. Reg. § 1.6001-1(e) states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Treas. Reg. § 1.6033-1(h)(2) provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and IRC § 6033.

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Rev. Rul. 59-95, 1959-1 C.B. 627, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of IRC § 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

In accordance with the above cited provisions of the Code and regulations under IRC §§ 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

Conclusion:

It is the IRS's position that the organization failed to meet the reporting requirements under IRC §§ 6001 and 6033 to be recognized as exempt from federal income tax under IRC § 501(c)(4). Accordingly, the proposed revocation would be effective as of December 31, 20XX. Any contributions to the organization would no longer be deductible as charitable contributions. Any contributions to this organization by those who were in part responsible for or were aware of the activities or deficiencies on the part of the organization that gave rise to loss of exempt status will not be allowed as a deduction effective the date of revocation.

If this revocation becomes final, appropriate State officials will be advised of the action in accordance with Internal Revenue Code 6104(c) and applicable regulations.